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Consideration and approval of country programmes

THIRD COUNTRY PROGRAMME FOR PERU

UNDP assistance requested by the Government of Peru for the period 1982-1986

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INTRODUCTION

1. The third country programme for Peru was prepared by the Government of Peru by means of concerted action by the National Planning Institute (INP), the Ministry of Economy, Finance and Commerce and the field office of the United Nations Development Programme (UNDP).

2. The work of programming was carried out during the first nine months of 1981, and began with a note by the Resident Representative which the UNDP office submitted the the INP in January 1981, containing views on the possible approach for the country programme for the third programming cycle, beginning in 1982.

3. Continuing the process of formulating the programme, after the submission of the note by the Resident Representative, in March INP compiled a set of documents intended to inform and give rational guidelines to the various branches of the public administration concerning the manner in which their technical co-operation requirements for the five-year period 1982-1986 were to be identified for UNDP. In addition, working and discussion meetings were held with each sector to define the priority areas in which projects would be executed during that cycle.

4. An important role in this programming process was played by sectoral studies such as the one carried out by the mission sent by the Food and Agriculture Organization of the United Nations (FAO) early in 1981, to determine the co-operation required for the agricultural sector. With the same end in view a mission came from the United Nations Industrial Development Organization (UNIDO), which co-ordinated with the sectors involved in the field of industrial development.

5. The duration of the third country programme is five years, from January 1982 to December 1986. Since this is the third programme, a certain amount of experience has been accumulated from the two preceding programmes which makes it possible to formulate strategies for the optimum utilization of available resources.

6. The period it covers coincides almost exactly with the country's medium-term National Development Plan, which covers the period 1982-1985. This coincidence is extremely useful since it makes for compatibilty between the co-operation requested and the priorities of the National Development Plan. Moreover, even though 1986 is not included in the medium-term plan, this does not mean that the programming for that year will be unplanned, because it will come under the long-term plan, extending to the year 2000, which is currently well on the way to formulation.

7. The illustrative indicative planning figure (IPF) for the period 1982-1986 is $US 25 million. According to UNDP instructions, in the first stage only $20 million can be programmed, from which $600,000 have been deducted, as this was the amount borrowed from the third country programme IPF to meet the already estimated requirements for projects under the second country programme (1977-1981). In addition, a reserve of $380,000 was set aside for any contingency costs under the second programme. Consequently, $19,019,200 are available for the programming of new projects and the extension of those currently under way. Should the reserve of $380,000 prove to be excessive, the remainder will be used to finance additional requests under the third country programme.

8. Although the figure available for Peru under this new programme is higher in absolute terms than the one applied in the cycle now about to end, local inflation and the constantly increasing costs of the various technical co-operation components required by the projects will make the level of execution equal to or even lower than that of the second programme (1977-1981).

9. For that reason, shared costs are beginning to be introduced in projects of direct benefit to enterprises or institutions with sufficient financial resources to assume part of the cost of the project. As a result, the UNDP resources will be maximized, making it possible to finance also projects in which the State cannot cover the expenditures involved in the shared costs.

10. There are plans to bring shared costs up to 25 per cent of the total IPF for 1982-1986 (over a period of five years), with zero level taken as the starting-point. At the time the programming was concluded, $3,977,500 had been pledged in shared costs. It is thought that this figure might be increased in the months to come.

11. As another aspect of the strategy to increase IPF resources, transactions are under way to supplement those funds with contributions from bilateral and multilateral sources both within and outside the United Nations system.

12. Provision has been made for periodic evaluation throughout the course of the third programme which will help to achieve the objectives and goals of the medium-term National Development Plan.

13. The fact that a new constitutional Government took office in the second half of 1980 means that there have been major changes in the conduct of the country's economic and social policies, as can be seen from the revision and readjustment of the main areas of the State's activities to adapt them to the provisions of the new political Constitution adopted in 1979.

14. Against that background, we shall first consider the current state of the Peruvian economy and then briefly review the development objectives set out in the Medium-Term Plan.

15. In the period from 1950 to 1980 the Peruvian economy showed a significant growth rate of 4.7 per cent, although the growth was not sustained in the latter part of the 1970s, which showed negative rates.

16. However, the development of production structures has been uneven, with heavy dependence on foreign countries, reflected in extreme vulnerability to foreign developments whenever international economic imbalances occur, especially in countries with which Peru maintans the strongest commercial and financial ties and this results in continual imbalances in Peru's balance of payments.

17. The agricultural sector has developed to a limited extent and unevenly. The growth rates in livestock production have tended to be lower than population growh. The sector, once the chief contributor to the gross domestic product (GDP), lost ground, dropping from 24 per cent in 1950 to 12 per cent in 1980. Agriculture is of two kinds, it is either highly mechanized and geared primarily to farming the

best land along the coastal belt, or it is hardly mechanized at all, and geared mainly to production for domestic consumption; this kind is found in the Sierra and is characterized by low productivity. The critical factors affecting activity in this sector are the scarcity of land and water and the structure and systems of land tenure. The structure of farming has undergone a great transformation as a result of far-reaching agrarian reforms instituted in the last decade, affecting 10 million hectares and benefiting 434,000 rural families, or 24 per cent of the total.

18. The industrial sector experienced an upswing at the beginning of the 1970s, raising its input to the GDP. However, the problems created by the financial crisis experienced by the country since 1977 led to a very marked decline in production in this sector. A process of industrialization, based on import substitution and a mainly export-oriented economy which was unevenly and loosely structured, had negative results, such as a heavy dependence on imported inputs and an irregular relationship between domestic prices in the industrial sector and those in the other sectors, with no increase in the level of employment or improved utilization of the country's raw materials.

19. Since the 1960s, the mining sector has shown high growth rates, owing to the increase in world demand for minerals and the great potential the country has in those resources. Nevertheless, use of these resources for rural development has been virtually nil, even though they are normally to be found outside urban areas. Mining production, basically of metals, is directed towards export, and medium and large-scale mining operates in an enclave within the region where it is located, establishing no links to and having no effect on its internal capitalization. The mining sector's own capacity to create jobs in somewhat irregular and it is limited to absorbing only part of the excess local manpower and does not provide incentives for the creation of related productive activites.

20. The fishing sector in the 1960s experienced a fishing "boom", with a growth rate of 18.1 per cent, which was a basis of the economic growth experienced during that decade. However, the misuse of the fishery resources through indiscriminate fishing of anchoveta caused this sector to experience, in the 1970s, a negative growth rate of 6.9 per cent and now face a crisis because of an excess of installed capacity lying idle.

21. In the last few years the Peruvian economy has been directed towards the foreign market for manufactured products, in support of which the Government has granted a series of tax incentives such as CERTEX, which favours an increase in non-traditional exports. This policy has had good results, since these exports rose to 21.4 per cent of total exports in 1980.

22. The structure of ownership despite structural reforms introduced in previous years, remains concentrated in the hands of an oligarchy in the mining, petroleum, banking and industrial sectors. In industry there are branches of production in which capital continues to be concentrated in foreign hands.

23. The social and economic infrastructure of the country is backward, as parts of the Amazon region are not integrated with the rest of the country and many of the sierras are insufficiently integrated.

24. The uneven and dependent growth of the Peruvian economy gave rise not only to imbalances between the economic sectors but also to imbalances between geographical regions and areas. One of the main consequences of these imbalances can be seen in the inadequate distribution of the population by area. For instance, since the 1940s there has been a movement of the rural population towards the urban areas, which has made for an annual growth rate of 5.4 per cent in the urban population, while the rural population has increased by 0.6 per cent. These rates show that over the last three decades the Peruvian population has grown at increasing speed and that the distribution of that increase is shifting from the country to the towns.

25. In this context, medium and long-term development objectives have been set and are spelled out in the respective development plans. Specifically, the guidelines for the 1982-1985 Development Plan mention the following objectives:

(a) To reactivate the economy of the country;

(b) To raise employment levels;

(c) To give substantial support to the social sectors so as to improve the quality of services and expand the coverage they provide;

(d) To strengthen regional development so as to reduce geographical imbalances, both between regions and between urban and rural areas;

(e) To make public administration more efficient;

(f) To consolidate and improve the country's participation in the processes of integration;

(g) To take steps to achieve a population growth that is adequate in both structure and distribution; and

(h) To encourage the development of science and technology so as to make rational use of both human and material resources.

26. To achieve these objectives, the following goals must be reached:

(a) A 6 per cent annual growth rate in the GDP, based on expansion of agricultural and industrial production and construction activities and on increased productivity;

(b) Growth of investments to 12.4 per cent a year, based on increased savings as a result of increased consumer buying power;

(c) Creation of new sources of employment in the various sectors and especially in the productive sectors and those involving the basic infrastructure;

(d) Improvement and amplification of the existing social infrastructure in the sectors of education, health and housing;

(e) Administrative decentralization and less concentration of power, spurring the transverse development of local settlements especially in the political border areas, with a view to ensuring a government presence there;

(f) Setting up a rational administrative system of organization within the central Government for the effective implementation of the development plans.

27. To attain these goals, the Government considers it necessary to obtain financial and technical international co-operation, and is counting on the continuing availability of outside resources to supplement national efforts under the development projects. In 1981 sizeable Government-to-Government soft loans were obtained from Canada, France, the Federal Republic of Germany, the United States, and such international agencies as the World Bank and the Inter-American Development Bank (IDB), among others. The most important feature of all the loans it has obtained is that they are geared to supporting an investment programme drawn up for the medium term that will be in effect until the year 1985, and this will make it possible for the Government to rationalize its investments.

28. In the international context, Peru is continuing to give firm support to the process of subregional integration through the Andean Pact and to regional integration through the Latin-American Economic System (SELA). Similarly, Peru has recently signed the Treaty for Amazonian Co-operation. Peru's support is also reflected in the Medium-Term Plan which indicates that one of the aims of multisectoral policy is to "promote and publicize nationally the regional and subregional economic and social integration and co-operation schemes in which the country is participating" and "to improve the Andean subregional integration process by strengthening national development and seeking a close link between the integration policy and the national development objectives".

NATIONAL DEVELOPMENT OBJECTIVES AND PROGRAMMES TO BE SUPPORTED BY UNDP

29. The programme of co-operation with UNDP will not attempt to meet all the country's technical co-operation needs in order to achieve the development objectives but will seek to focus co-operation on projects suited to its multilateral and independent nature, with access to a broad range of development technology at the world level.

30. Accordingly, the various branches of public administration were given guidelines, and the policy to be pursued with UNDP co-operation was outlined as follows:

(a) Support for projects aimed at the production of food and basic inputs in areas in which the country's production is inadequate;

(b) Support for the provision of basic social services; and

(c) Expansion and intensification of support for integrated rural development programmes.

31. Another important aspect of UNDP co-operation is that it has a catalytic effect on other programmes being executed from bilateral sources, since UNDP's involvement in a given project provides a firm basis for mobilizing bilateral resources.

32. Total requests to the National Planning Institute (INP) for funding against the third programming cycle IPF amounted to $US 71,582,072, divided among 68 projects. Those projects were narrowed down according to the following practical criteria:

(a) Alternative resources: analysis of the possibility of financing the project from other national or external sources;

(b) Project density: existence of projects similar to those included in the programme, in order to avoid oversaturation of efforts to solve a single problem or interference with other projects already under way or for which preparations are already advanced;

(c) Intrinsic consistency: analysis of the concordance between the available resources and objectives of each project and of the existence of adequate counterpart capacity, harmony and logic among the various parts and stages of the project's structure;

(d) Location: special preference for projects which are actually located outside the metropolitan area and which benefit the development of the country's interior.

33. Through this process, 33 projects have been selected for UNDP co-operation in the period 1982-1986, representing a contribution of $US 19,019,200. These projects have been divided into five priority fields of activity: natural resources, regional development, human resources, economic services and scientific and technological development.

A. Natural resources

34. Peru has a large natural resource potential: 14 per cent of the country's territory is suitable for animal husbandry, 6 per cent of the land could be used for agrarian purposes, 37.8 per cent is wooded, and there is an energy potential from the water resources of the Pacific and Atlantic basins, and the petroleum resources of the northern coastal region and the east. The foundation of the country's development is its natural resources, which have been used and mobilized in such a way as to form a disjointed and unequal spatial structure, with a depressed rural zone and a relatively better-developed urban area.

35. As regards the land suitable for agriculture, 24.4 per cent of the currently planted terrain is given over to export crops; however, the prices of the products of this land are subject to the decisions and fluctuations of the world market.

36. Through its National Development Plan, the Peruvian Government has established as its first national development priority the encouragement, promotion and

intensification of agricultural production and productivity, especially the production of foodstuffs derived from agriculture and animal husbandry, promoting the participation of farmers in the planning of farming seasons and guaranteeing land ownership.

37. It is considered essential to use fallow land and to expand the farming area through small and medium-scale irrigation and the settlement of new land in the jungle and its fringes which are considered to be economic and political frontier areas.

38. An agrarian policy will be implemented within a market economy, with credit and pricing systems for agricultural production suited to the various regions, in order to institute systems for the rational use and management of soil and water resources.

39. The country has great forestry potential which will be exploited rationally, with reforestation for the purpose of maintaining the ecological balance and ensuring its renewal.

40. Minerals are a strategic resource, being the main foreign currency earner and accounting for approximately 50 per cent of total exports. Because of the way in which the products are mined and used, this activity contributes little to the generation of the country's value added or to the regional economy; consequently, its output needs to be better integrated within the regional economy and the national production machinery.

41. The energy crisis, which became more acute in 1974 with the rise in petroleum prices, makes it necessary to seek alternative energy sources by increasing the use of conventional sources or investigating non-conventional sources such as wind, solar, geothermal, biomass, atomic and other types of energy.

42. The Medium-Term Plan takes the view that mining output should contribute to regional development by becoming integrated with the other activities of the region or areas of operation and allowing resources to be transferred to the region or area which is affected.

43. Since mining resources are non-renewable and of strategic importance to the economy, their planned use will be promoted for the purpose of ensuring that they are used rationally.

44. The projects in the field of natural resources to which UNDP will contribute are as follows:

Forestry development in the Central Selva (PER/81/002)

UNDP contribution: $588,000 Duration: 2 years

45. The Medium-Term Plan proposes to give a sharp boost to the development of the central Selva, which is viewed as a region of enormous possibilities because of the potential of the natural resources contained in it, the most important of which are

forestry resources. This project is expected to be supplemented as from 1984 with backstopping from another source co-operating through FAO.

Support for agricultural research and promotion (PER/81/006)

UNDP contribution: $2,352,000 Duration: 5 years

46. The purpose of this project is to strengthen the agro-economic branch of the farming sector by endowing it with the capacity to make technical, economic and social analyses of the agricultural production factors directly to assist the agricultural extension, research, training, rural marketing, mechanization, pricing, insurance and credit services. The project will also study the efforts of the country's farming sector to produce, control and distribute improved seeds. Furthermore, the project will contribute to improved biological control of plant pests in the central sierra region in order to improve food production.

Master mining plan (PER/81/008)

UNDP contribution: $784,000 Duration: 4 years

47. The mining sector is of strategic importance to national development, since it is the main foreign currency earner. It is estimated that 38.5 per cent of the country's territory consists of areas where it is worth prospecting for copper, lead, and iron, only 3.5 per cent of the proved reserves of which is being mined. The technical support requested under this project will make it possible to formulate a Mining Plan capable of stimulating the development of regional and local industries for mining activites. The project could be closely linked to the United Nations Revolving Fund for Natural Resources Exploration.

B. Regional development

48. Because the country is a heterogeneous geographical area, development is not uniformly distributed, being concentrated in the central part and especially in metropolitan Lima, thus perpetuating the pattern of the exported development and strengthening the main urban centres, which only accentuates regional inequalities.

49. This problem has become more acute as a result of the economic crisis affecting the country and the consequent scarcity of economic and financial resources, which adversely affects the potential for growth of the frontier regions and the areas around which development is centred.

50. Action to promote regional development by strengthening regional administration has not yet produced the desired results and there has been a tendency for centralism to be still further accentuated.

51. The priority aims of regional development over the next five years are as follows:

(a) Establishing the economic and administrative independence of the Departmental Development Corporations;

(b) Strengthening local governments, with a view to their economic and administrative independence by transferring to them functions, powers and resources of the central Government as provided in the Constitution of the Republic;

(c) Using popular co-operation programmes to encourage participation by the population in community development so that they can supply their own essential requirements; and

(d) Redirecting investment to the development of the more densely populated regions and depressed areas so as to generate employment and improve the living standard of the population by supplying its basic requirements.

52. There is a recognized need to form regions which are strong enough to keep national development in balance and to act as a deterrent to migration from rural to urban areas. To overcome some of the problems noted in this respect, UNDP intends to provide technical assistance to the Government by means of the following projects:

Integrated rural development Sánchez-Carrión (PER/78/002)

UNDP contribution: $1,764,000 Duration: 3 years

53. This is a very important project for the organization and execution of a model of micro-regional development in a depressed area of the interior having potential human and natural resources. The initial investment programme will start in this second phase with the introduction of contributions from other sources, and the viability of the micro-regional model will be demonstrated.

Hydrology, climatology and agro-meteorology (PER/81/007)

UNDP contribution: $588,000 Duration: 3 years

54. The object of this project is to supply a suitable documentary base for the development and conservation studies to be carried out in the region, including a system of hydrological and climatological stations needed for the planned development of the resources of the Amazon region. There will be the fullest exchange of experience with specialists of the signatory countries of the Amazon Pact. The project will include agro-meteorological work in the coastal region where intensive farming is practised. A similar project is under way in Brazil and the experience acquired with it may well be of value for the project proposed for Peru.

Regionalization plan (PER/81/009)

UNDP contribution: $147,000 Duration: 2 years

55. This project will take the form of technical support for the national commission responsible for formulating the regionalization plan which the Government will finalize at the end of 1983 and which will form a basis for the effective decentralization of the country.

Municipal development (PER/81/016)

UNDP contribution: $294,000 Duration: 2 years

56. The purpose of this project is to enhance the technical resources of the Municipality of Lima with regard to investment planning and programming, so as to implement the municipal investment programme for 1982-1986 as submitted to the meeting of the Paris Group in May 1981.

Development of agro-industries (PER/81/017)

UNDP contribution: $1,176,000 Duration: 5 years

57. The Government proposes to develop technical research in food technology and agro-industry so as to help to solve the food and nutrition problems of the priority and depressed areas of the country. It is hoped to stimulate the development of agro-industrial projects for the use of agricultural surpluses, mainly in the jungle, and as a means of remedying nutritional deficiencies, particularly in edible oils.

C. Human Resources

58. The population of Peru numbers about 18 million and constitutes a basic resource for development. The high rate of demographic growth (2.7 per cent per year for the five-year period 1980-1985) means that by 1985 Peru will have 20,401,433 inhabitants, an increase of 2 million. This will make heavy demands on food supplies and the education and health services which the State must provide during this period despite scanty economic resources. There will also be strong pressure on the already saturated labour markets, thus exacerbating the problems of under-employment and urban deprivation.

59. Water, lighting and sewage services are insufficient, particularly in rural areas, where many communities have none of these services, or the services are inadequate and inefficient. As regards the marginal urban population, for example, only 37 per cent of the houses in the new villages have a supply of drinking water, drainage and lighting, some have one or two of those services and a large number have none of them at all.

60. The health services have lagged far behind the growth of the population. During 1979, more than 50 per cent of deaths resulted from infectious and exogenous diseases, and lack of environmental sanitation was responsible for more than 50 per cent of recorded illnesses.

61. The growth in basic health services has been minimal and in more than 14 years only 2,309 hospital beds have been added, while health services in rural areas are virtually non-existent; hence the need to change the strategy, since primary health care seems to be the best option available. In some areas, such as the jungle regions where communications are difficult, it is not possible to apply this form of service intensively, but continued support for the strategy with the co-operation of UNDP, will be necessary.

62. With regard to education it is estimated that about 18.6 per cent of the population over 15 years of age is illiterate. This amounts to about 2 million persons, concentrated mainly in rural areas and among women. The Government is concerned about this situation and has started a literacy campaign with the object of reducing the rate of illiteracy by 55 per cent during the period 1981-1985. To achieve this reduction, co-operation is being sought from a number of sources, including UNDP.

63. The development of skills in the Peruvian population, both in and out of school, has declined considerably as a result of structural and budgetary problems. There is, however, a need to educate not only children but also adults, principally in rural areas, in order to increase their productivity and improve their standard of living. To this end, it is proposed to continue the experiment started in the second programming cycle, using audio-visual aids in rural education. The projects for the development of human resources are listed below. To achieve some of these goals, UNDP will provide assistance in the following projects:

Audio-visual teaching (PER/76/003)

UNDP contribution: $980,000 Duration: 5 years

64. This is a continuing project for the consolidation of the mass rural education programme by simple audio-visual means.

Conservation of cultural heritage (PER/77/007)

UNDP contribution: $254,800 Duration: 3 years

65. The aim of the project is to protect, preserve, restore and put into social and economic service the cultural heritage of the country in three basic areas: the Convent of Saint Francis, the National Anthropology Museum, and the courses held in Cuzco.

Health in the eastern region (PER/78/004)

UNDP contribution: $546,200 Duration: 3 years

66. This project is an extension of one which was executed in the second cycle with the object of reducing the incidence of transmissible disease in the Amazon region by vaccination and and the provision of advice to villages situated along some stretches of the Amazon. It is also intended to improve or install drinking water supplies, improve nutritional levels and provide services for pregnant and nursing mothers.

Technological higher education and training (PER/79/001)

UNDP contribution: $656,000 Duration: 3 years

67. The main object of this project will be the provision of technical advisory services and the training of teaching staff who will provide higher technical

education. There will also be continued support for the training of the teachers who will staff the schools built with the World Bank loan, and for the use of the Hungarian equipment supplied in the 1970s.

Centre for Advanced Studies in the Social Sector (CESIAL) (PER/79/003)

UNDP contribution: $ 26,790 Duration: 3 months

68. This project has contributed to the development and consolidation of the Centre, thereby making it an institution possessing the necessary infrastructure for carrying out the training and research plans which it has developed. The project has also contributed to the development and strengthening of the research programmes as well as the training and social projection programmes. This latter object has been achieved by training teaching staff, designing methodology for instruction and establishing curricula for the training of technical and managerial staff. This project was begun in 1979 and will end in April 1982.

Labour policy, labour standards and social co-ordination (PER/80/001)

UNDP contribution: $401,470 Duration: 3 years

69. The project consists of institutional support for the Ministry of Labour and Social Promotion, in the form advisory services for the officials who draw up policy documents and labour standards; the project also provides national training courses.

Literacy (PER/81/005)

UNDP contribution: $422,000 Duration: 3 years

70. The aim is to provide support for the education sector by achieving a progressive reduction of the high illiteracy rate in the country by means of an interchange of experience with countries at a comparable level of development and the introduction of some supplementary equipment. In addition to the resources previously mentioned various measures will be taken to meet some of the requirements of this programme by means of contributions from other projects such as Audio-visual Teaching (PER/76/003) and TCDC (PER/81/011).

Support to the National Institute of Public Administration (INAP) (PER/81/010)

UNDP contribution: $392,000 Duration: 4 years

71. The project involves the provision of advisory and training services in public administration and includes a master's course in planning and microregional development.

Technical co-operation among developing countries (TCDC) (PER/81/011)

UNDP contribution: $463,540 Duration: 5 years

72. The project consists of support for the national programme of TCDC.

Physical infrastructure of health services (PER/81/018)

UNDP contribution: $441,000 Duration: 4 years

73. The object of this project is to train national personnel to organize and back up a system of preventive and operational maintenance of hospital premises and equipment. The project is closely connected with a credit provided to the health sector by the Netherlands for the modernization of hospital equipment.

D. Economic services

74. It is of great importance for the development of the country to expand the activities which support the production system by providing ways of spanning distances, such as means of transportation and communication, marketing systems and other supporting services.

75. The guidelines for the Medium-term Plan call for a policy of improving and expanding the country's air service infrastructure and developing its operational capacity to the utmost, by providing air navigation aids, especially at airports situated in the Sierra and the Selva. Closely linked with this policy is the project for Development of the Air Service Infrastructure (RLA/81/003) which was being executed with UNDP co-operation during the second cycle and is being considered for extension. This project is aimed at promoting and encouraging the development of national air transport.

76. The housing situation in the country has been steadily deteriorating, both in quality and in quantity, as a result of population growth, and has been aggravated by high building costs leading to more slums and overcrowding, and to the over-utilization and deterioration of urban services involving equipment and infrastructure. It is therefore necessary to improve such services including the drinking water and sewerage services, and to find ways of making them more efficient. Furthermore, there is no doubt that urban expansion plans must be drawn up for the principle cities of the country. UNDP assistance will be directed towards the following projects:

Foreign trade (PER/75/007)

UNDP contribution: $16,500 Duration: 3 months

77. The project has assisted the Government in promoting non-traditional exports, devising a customs and import policy, undertaking a comprehensive reorganization of the information system in the trade sector and improving and rationalizing the customs system. The project as a whole will have involved technical and training personnel costing a total of $988,581 during its period of execution from January 1977 to April 1982.

Aeronautical infrastructure (PER/81/003)

UNDP contribution: $686,000 Duration: 5 years

78. The Government is committed to strengthening the air transport sector and within that general context intends gradually to establish reliable and efficient aeronautical infrastructure facilities and services to support the operation of civil aviation in the country in an orderly, safe and efficient manner. A pledge of $813,740 in shared costs has been obtained from CORPAC (the Peruvian Civil Aviation Corporation).

Drinking water and sewerage (PER/81/012)

UNDP contribution: $196,000 Duration: 2 years

79. The Government has decided to strengthen the central institution responsible for planning, executing, administering and operating urban drinking water and sewerage services, and for this it will require specialized technical advisory services.

Development of maritime transport (PER/81/013)

UNDP contribution: $588,000 Duration: 3 years

80. The purpose of the project is to strengthen national maritime administration, to revise and modernize national maritime legislation and to buttress the "Almirante Grau" National Merchant Marine School.

Commercial strategy and management (PER/81/014)

UNDP contribution: $865,000 Duration: 4 years

81. The Government is approaching trade questions as an interrelated whole. Hence the problem of commercial strategy and management is being dealt with by supporting and promoting the modernization of the nation's businesses, enabling management to cope with the changes in the terms of trade brought about by the opening up of the national economy. A pledge of $300,000 in shared costs has been obtained from FOPEX (the Export Fund) to promote non-traditional exports.

Documentation centre (PER/81/015)

UNDP contribution: $39,200 Duration: 2 years

82. The Government needs UNDP collaboration to set up within the Ministry of Foreign Affairs a Documentation Centre specializing in information on the United Nations system.

Human settlements (PER/81/019)

UNDP contribution: $294,000 Duration: 3 years

83. The National Development Plan favours the establishment of appropriate human settlements in the unoccupied territories in the east, to which the Constitutional Government has been strongly committed through sizable investment projects being carried out in the low-lying areas of the Selva with input from other sources such as the United States Agency for International Development (USAID) and the World Bank. This project is seen as a means of providing further training in the over-all planning of human settlements.

Promotion and development of small industries (Ministry of Industry, Tourism and Integration) (PER/81/020)

UNDP contribution: $333,200 Duration: 3 years

84. Pursuant to the new State Business Management Act, the Government proposes to encourage the establishment and strengthening of small businesses under the new Industry Act. The Ministry of Industry, Tourism and Integration (MITI) is studying the possibility of contributing $600,000 in shared costs.

E. Scientific and technological development

85. The Constitutional Government has become aware of the need to stimulate the scientific and technological development of the country, and steps are therefore being taken to further the application of science and technology for the promotion of national development.

86. Scientific and technological research is a feature of various projects included in the third programme. For instance, the Nuclear Energy project (PER/76/002) supports the use of nuclear technology in agriculture and medicine.

87. In agriculture the plan is to use isotopes to increase food production. In medicine support will be given to the establishment of the Pilot Centre for Nuclear Medicine and Biology, which will be used for the dissemination of information and the provision of training and advisory and support services, and will serve as a model for other health centres in Lima and more especially in the provinces.

88. In the fermentation industry, the aim is to establish a research centre for production by means of fermentation, equipped with a pilot plant and laboratories for maintaining, modifying and improving cultures used in fermentation. In addition, efforts are being made to improve the fermentation media for the production of antibiotics, vitamins, enzymes, steroids, etc.

89. As regards metallurgical activities, there is a project whose objective is to help meet the growing need for technological support of local metallurgical industries, provide technical know-how to improve their processes and products, and promote the application of technological innovations to the metallurgical industry.

90. In the field of metrology, UNDP will continue to give support by providing the Institute for Technological and Industrial Research and Technical Standards (ITINTEC) with metrological equipment to supplement its present equipment in the dimensional field. This will make it possible to establish methods for verifying national standards in comparing them with international standards. UNDP assistance will be directed to the following projects:

Nuclear Energy (PER/76/002)

UNDP contribution: $173,154 Duration: 1 year

91. This project constitutes the continuation and termination of the one begun in 1977, and the following activities are planned in 1982: (a) incorporation of nuclear electricity; (b) evaluation and development of uranium resources; (c) nuclear applications in the agricultural and animal husbandry sector; and (d) provision of advisory services to the Government and the Peruvian Nuclear Energy Institute (IPEN), and general co-ordination.

Nuclear Energy (PER/81/004)

UNDP contribution: $1,296,846 Duration: 5 years

92. This new project will deal with the biomedical and agricultural applications of nuclear energy, and the evaluation of uranium traces and deposits.

Metallurgical Technology Centre (PER/81/021)

UNDP contribution: $592,800 Duration: 4 years

93. The project involves the preparation of feasibility studies and the provision of advisory services, training and equipment for the Metallurgical Technology Centre which is under study by ITINTEC and the Peruvian Iron and Steel Industry (SIDERPERU). In view of the importance of the mining sector in Peru and taking into account the significant advances already made in that sector, the quality control activities of the Metrology Laboratory and the efforts made to reduce the price of pharmaceuticals by cutting the costs of fermentation, a project has been submitted for the establishment of a Metallurgical Research and Materials Testing Centre which will help to create the necessary technological capacity for transforming into finished products a large part of the mineral products and other natural resources that are currently likely to be exported. SIDERPERU is expected to contribute $413,760 in shared costs and ITINTEC $250,000.

National Metrology Service (PER/81/022)

UNDP contribution: $392,000 Duration: 2 years

94. The project involves the provision of advisory services, equipment and training to the National Metrology Service which is being set up by ITINTEC. This is a continuation of the ongoing project, Development of Metrology (PER/76/014). The new national market and the possibilities for export have created a need for

experts in quality control and greater precision in production processes. During 1981 the Metrology Centre of ITINTEC was inaugurated, and it, together with the advice in this field which UNIDO experts are providing to the Board of the Andean Pact, will facilitate the rationalization and standardization of the industrial products of Peru and the subregion. A contribution of $400,000 in shared costs by ITINTEC is expected.

Environmental concerns (PER/81/023)

UNDP contribution: $392,000 Duration: 3 years

95. The Government is very interested in giving more place to environmental concerns in development plans, with a view to ensuring development that has been conceived as a whole and will thus meet the current and future needs of the people.

Centre for Fermentation Research (PER/81/024)

UNDP contribution: $627,200 Duration: 3 years

96. The Government wishes to establish a research centre for production by means of fermentation, equipped with a pilot plant and laboratories to train personnel, establish a technological capacity and engage in research and development. In the health field, Peru intends to establish one of the two facilities in Latin America for the fermentation and production of the basic materials needed to produce antibiotics and pharmaceutical products, in order to meet the growing demand for such products. The training of researchers in this field, combined with the project of the Interim Fund for Science and Technology for Development, whose aim is to raise the level of instruction in the biological sciences through a plan worked out jointly with the Peruvian universities, will make it possible to expand the gamut of production of the latest generation of pharmaceutical products which are based on those sciences, and will eventually replace the products currently being used. The National University of San Marcos is expected to contribute $600,000 in shared costs, with an equal amount to be contributed by ITINTEC.

Human resources in science and technology for development (PER/81/025)

UNDP contribution: $250,000 Duration: 5 years

97. The objective of the project is to help to improve the productivity of Peruvian scientific and technical researchers by increasing their contacts with scientists and technologists of other countries. The project will also make it possible to mobilize Peruvian researchers within the country to strengthen the teaching capability of the universities. It will, in addition, help the authorities to discover people in the country's institutions who have the talent and inclination to pursue advanced studies in science and technology.

RELATIONSHIP WITH ACTIVITIES UNDER REGIONAL AND GLOBAL PLANS AND WITH OTHER REGULAR PROGRAMMES OF THE AGENCIES OF THE UNITED NATIONS SYSTEM

98. The seat of the Board of the Cartagena Agreement is in Peru. The aims of the Agreement are to support and intensify the development of its member countries through a gradual process of economic integration. This process is intended to create close interdependence based on three fundamental mechanisms: (a) harmonization of economic and social policies with a view to achieving a common planning system (this mechanism has become even more important since the most recent Board meeting, held at Bogota in early September 1981); (b) industrial and agricultural programming; and (c) liberalization of trade through an automatic reduction of tariffs and the establishment of a common external tariff.

99. In the first two programming cycles, UNDP provided technical co-operation to the Board of the Cartagena Agreement, the body responsible for making as well as implementing policy decisions. UNDP activities have been focused essentially on those fields in which the Board has had to carry out specific and immediate tasks arising from the Agreement and the mandates of the Commission. UNDP has co-operated, inter alia, in the formulation of industrial development programmes for the metal-transforming and petrochemical sectors.

100. One of the basic requirements in the process of Andean integration in the period 1982-1984 is that of strengthening and making effective at the subregional level the range of instruments which integration has provided in recent years. Consequently, the implementation and completion of the sectoral programmes begun in the preceding programming cycle (1977-1981) is considered essential in the face of the cutback of funds available for the new period. It is for this reason that UNDP has approved the extension for the period 1982-1984 of the following agricultural integration projects: Agricultural Programming (RLA/79/065) ($405,500), Industrial Programming (RLA/79/069) ($448,500) and Andean Integration (RLA/79/015) ($1.5 million). These projects will also be linked with the country's Integrated Rural Development project (PER/78/002) and the new agricultural project (PER/81/006).

101. In the cultural field, UNDP plans to continue to support the Latin American Cultural Heritage project (RLA/79/005), which has been extended through the end of 1983, with the amount of $277,000 for 1982 and $200,000 for 1983. Centered in the Andes, this project has been extended to and will encompass other countries outside the area, such as Panama, Haiti, the Dominican Republic, Chile, Argentina, Brazil and Paraguay. The Preservation of the Cultural Heritage project (PER/77/007) will back-up this regional project in respect of Peru. Continuation of the following projects is also planned: Regional Musicology Programme (RLA/78/002), $150,000 for 1982; Latin American Faculty of Social Sciences (FLACSO) (RLA/78/004), $150,000 for 1982 and $150,000 for 1983; and Biological Sciences (RLA/78/024), $500,000 for the biennium 1982-1983.

102. In the labour field, UNDP will continue to support the Inter-American Center for Labor Administration (CIAT) projects (RLA/77/001) with an allocation of

$130,000 in 1982, the Regional Employment Programme for Latin America and the Caribbean (PREALC) (RLA/79/006) with total assistance amounting to $1 million - $600,000 in 1982 and $400,000 in 1983; and the Inter-American Research and Documentation Center on Vocational Training (CINTERFOR) (RLA/79/032) with total assistance amounting to $300,000 - $150,000 in 1982 and $150,000 in 1983.

103. In the field of trade, UNDP will continue to support the subregional export promotion training project entitled Economic Policy Assistance to JUNAC (RLA/79/067), which covers Bolivia, Colombia, Ecuador, Peru and Venezuela, and the project entitled Development and Strengthening of Trade Information Services in Latin America (RLA/79/026). These two projects might be useful in the Trade Strategy and Management project (PER/81/014).

104. The Government will continue to support the regional project for postal services integration (Phase II) (RLA/77/011) executed by the Universal Postal Union (UPU) with UNDP funding amounting to $200,000 for the period 1982-1983 and a telecommunications integration project entitled Inter-American Telecommunications Committee (CITEL) (RLA/77/010), executed by the International Telecommunication Union (ITU) and financed by UNDP in the amount of $200,000 for 1982-1983.

105. Other projects executed by the United Nations, such as the International Centre for Public Enterprises (CIEP) (RLA/79/002), the Latin American Center for Development Administration (CLAD) (RLA/79/047) and the United Nations Latin American Institute for the Prevention of Crime and Treatment of Offenders (ILANUD) (RLA/78/012), will continue to receive the Government's support and UNDP funding; CIEP will receive $735,000 for the period 1982-1984.

106. In the field of science and technology, the Government will continue to support the project entitled Gradual Establishment of a Technological Information System in the Andean Region (ST/RLA/80/T01).

107. Lastly, it should be noted that the project entitled National Training Programme for Labour and Vocational Education (PRONACAP) (PER/79/001), involving higher technological education and focusing on technical advisory services and the training of teaching staff for higher technological education, is of the greatest importance in the training of the human resources required for the country's scientific and technological development. In that regard, the project supplements the one totalling some $600,000 which was submitted to the United Nations Interim Fund for Science and Technology for Development, concerning the strengthening of the programmes relating to the teaching of the basic sciences in Peru, which was sponsored by the National Council for Science and Technology, and is to be implemented by Peru's Universidad Cayetano Heredia and Universidad Católica.

108. In the field of agriculture, UNDP will continue to support in 1982 and 1983 two regional projects executed by FAO for a total of $400,000: Rural Development Training (PROCADES) (RLA/77/006) and Market Information Service for Fish Products in the Latin American Region (INFOPESCA) (Phase II) (RLA/79/058) for a total of $200,000 for 1982-1983.

109. At the same time, many organizations of the United Nations system will give assistance to Peru in the period 1982-1986 under their respective regular programmes. This is true of the World Health Organization (WHO), which will support porgrammes on the control of communicable and non-communicable diseases and zoonoeis, maternal and child health and family welfare and environmental health. Total assistance to Peru for the period 1982-1985 will amount to some $5,137,000. These activities will give substantial support to the projects entitled Integrated Rural Development (PER/78/002) and Health in Iquitos (PER/78/004), financed by UNDP.

110. The Peruvian Government is preparing a programme jointly with the United Nations Children's Fund (UNICEF) for a total of approximately $6 million for a three-year period from June 1982 to May 1985, in connexion with which increased participation in the project on Integrated Rural Development (PER/78/002) is envisaged.

111. FAO will continue to give Peru significant support through its technical co-operation programme (TCP), as will the International Fund for Agricultural Development (IFAD). The World Tourism Organization (WTO) will provide support estimated at $18,000 for the period 1982-1986, and the World Intellectual Property Organization (WIPO) will provide support totalling $380,000. The World Meteorological Organization (WMO) will give Peru total assistance estimated at $196,000 for the period 1982-1986 for various projects of the Voluntary Co-operation Programme (basic pollution measurement station).

112. The International Labour Organisation (ILO) will contribute to the principal regional centres of CIAT, the Inter-American Research and Documentation Center on Vocational Training (CINTERFOR) and PREALC, in addition to providing scholarships, financing for seminars and technical meetings and short-term advisory services amounting to $25,000 annually for Peru.

113. In the period from October 1981 to September 1984, the World Food Programme (WFP) will finance two projects totalling $19,828,000 - approximately equal to the assistance programmed by UNDP for the next five years - and will also provide assistance for the multisectoral project entitled Integrated Rural Development (PER/78/002), furnishing food for the execution of certain highway and irrigation construction works.

114. Under its regular programme, the International Atomic Energy Agency (IAEA) will finance missions by experts and the provision of equipment for a total of $725,000 in 1982 alone. This will substantially supplement the UNDP contribution to the nuclear energy programme, which had to be cut back considerably due to a shortfall of IPF funds.

115. Through the project entitled Maternal and Child Health (Phase III) (PER/79/P03), the United Nations Fund for Population Activities (UNFPA) will provide financing in the amount of $600,000 annually for the biennium 1982-1983. Extension of the projects entitled Population Census (PER/79/P02) and Manpower Migration (PER/79/P08) and possible collaboration with some universities in connexion with population activities are also envisaged for 1982; all this is still being discussed and the financing figures are not yet available. The UNFPA assistance could supplement some UNDP activities in the projects entitled

Integrated Rural Development (PER/78/002) and Health in the Eastern Region (PER/78/004).

116. The United Nations Revolving Fund for Natural Resources Exploration plans to provide Peru with technical assistance in the amount of some $3 to 4 million for the period 1982-1985.

117. Total assistance furnished under the regular programmes of the organizations of the United Nations system, excluding the planned contributions of FAO, UNIDO and the International Civil Aviation Organization (ICAO), already amounts to some $40 million.

118. Within the framework of this programme, close relations and co-ordination are maintained with the bilateral and multilateral development organizations and the two international banks represented in Lima, IDB and the International Bank for Reconstruction and Development (IBRD).

SALIENT FEATURES OF THE PROGRAMME

119. The third country programme for Peru has been formulated for the purpose of directing UNDP co-operation towards critical aspects of the country's priorities, in which the United Nations system can play a catalytic role.

120. Due attention has been given to the co-ordination and complementarity of projects included in the programme, with a view to maximizing the benefits. This is particularly true of the principal sectors receiving assistance from the programme, agriculture, human resources and industry, which have a direct impact on rural development and the supply of food.

121. UNDP has been chosen to co-ordinate the activities of the International Drinking Water Supply and Sanitation Decade. Many new projects have been designed to contribute to the implementation of the Medium-Term Plan in these fields.

122. In the course of the programming, it was agreed that the project entitled Integrated Rural Development (PER/78/002), in the Department of La Libertad, will place greater emphasis as from 1982 on the integration of women in the development process, with a view to improving the socio-economic status of rural women in one of the country's most impoverished areas.

123. The fact that a significant proportion of the illustrative IPF is channelled towards agriculture, the supply of food and integrated rural development reflects the objective of ensuring that the programme reaches the most impoverished levels of the population. The health sector of the programme will likewise benefit the neediest inhabitants of the Selva through the primary health care project in one of the country's most isolated areas (Loreto).

124. The programme supports the Government's policy of decentralization or regionalization for balanced development through the planning of agricultural and industrial projects. Many of the projects in the third country programme are aimed at determining and stimulating the development potential of the various regions.

125. In order to implement the "new dimensions" concept, the sum of $463,400 has been allocated to promote activities relating to technical co-operation among developing countries (TCDC), as recommended at the most recent TCDC meeting, held at New York in early June 1981.

126. Supplementary investment in UNDP-financed projects (bilateral assistance, etc.) is proceeding actively, as in the case of the projects concerning maritime transport development, integrated rural development, audio-visual instruction and so on.

Annex

FINANCIAL SUMMARY

A. Resources	$
(a) IPF and other resources	
(i) Illustrative IPF for programme period	25 000 000
(ii) Carry-over from previous IPF cycles	(600 000)
(iii) Other resources (cost-sharing)	3 978 000
(b) Provision for adequate programming	-
TOTAL	28 378 000

B. Utilization of resources	$
(a) Programmed	
(i) Ongoing projects	4 819 000
(ii) New projects and new phases included in the country programme	18 178 000
(iii) Earmarked for specific objectives and activities for which projects are to be worked out (continuous programming at a later stage)	-
SUBTOTAL	22 997 000
(b) Reserve	381 000
(c) Unprogrammed balance a/	5 000 000
TOTAL	28 378 000

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C. Financial distribution of programme, by sector

Sector b/	Ongoing projects	New projects	Sectoral earmarkings	Total
02 General development, policy and planning questions	1 764 000	2 511 740	-	4 275 740
03 Natural resources	173 154	2 080 846	-	2 254 000
04 Agriculture, forestry and fishing	-	2 940 000	-	2 940 000
05 Industry	-	2 901 200	-	2 901 200
06 Transport and communications	-	2 087 740	-	2 087 740
07 International trade	16 500	1 165 500	-	1 182 000
09 Human settlements	-	294 000	-	294 000
10 Health	546 200	441 000	-	987 200
11 Education	1 636 000	422 000	-	2 058 000
12 Employment	401 470	-	-	401 470
14 Social conditions and social justice	26 790	-	-	26 790
15 Culture	254 800	-	-	254 800
16 Science and technology	-	3 333 760	-	3 333 760
TOTAL	4 818 914	18 177 786	-	22 996 700

a/ Representing 20 per cent of the illustrative IPF which has not been taken into account for programming in accordance with the Administrator's instructions contained in UNDP/PROG/FIELD/111; UNDP/PROG/HQTRS/126.

b/ According to ACC classification.